

CONCEPT: STOCK DIVIDENDS

- Instead of paying a cash dividend, a company can offer a **stock dividend**, which gives additional shares to stockholders
 - Stock dividends are just a _____ of equity
 - Stock dividends use the current _____ of the stock to redistribute retained earnings
 - Stock dividends are taken from retained earnings, similar to cash dividends
 - However, instead of a Credit to Cash, the Common Stock and APIC are increased
- Stock dividends are declared as a percentage of outstanding stock:

The Apartment Depot declared a stock dividend of 10% on its common stock. Currently, the company has 150,000 shares of common stock outstanding with a par value of \$0.50. The current market price of their stock is \$25.

Journal Entry:

Assets

=

Liabilities

+

Equity

PRACTICE: You own 200 shares of the 100,000 outstanding shares of Big Company. Big Company declared a stock dividend of 5% when the market price per share was \$55. Which of the following is true?

- Your ownership percentage in Big Company is larger than it was before the stock dividend
- Your ownership percentage in Big Company is smaller than it was before the stock dividend
- Your ownership percentage in Big Company is equal to what it was before the stock dividend
- The number of shares you own in Big Company is equal to what it was before the stock dividend